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IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-1744

JULIUS E. FOSTER,

Petitioner,

v.

AMERICAN MACHINE & FOUNDRY CO., *et al.*,

Respondents.

PETITIONER'S REPLY BRIEF

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Respondents' brief attempts to re-cast petitioner's questions in terms of a mere request for a review by this Supreme Court of the amount and nature of relief awarded to him.

Clearly petitioner would not be taking the valuable time of the Supreme Court if this were the case.

Statutory and equitable relief, however, must be within the bounds of statutory and constitutional authority—and it is this marked departure by the Court of Appeals for the Second Circuit from all other law in this country and specifically from the prior holdings of

this Supreme Court which petitioner feels is of great moment and significance, warranting the prompt review by this Court.

RESPONDENT CONFUSES DENIAL OF INJUNCTIVE RELIEF FOR EXISTING INFRINGEMENT, WITH A COMPULSORY LICENSE FOR ALL FUTURE NEW INFRINGEMENTS FOR THE LIFE OF THE PATENT

Nowhere in its brief has respondent cited a single decision of the Supreme Court (or of any other court) contrary to, or modifying the fountain *Paper Bag Patent Case*, 210 U.S. 405 (1908), cited by petitioner (Pet p. 9, 10) establishing that the courts have no statutory or constitutional power to abrogate the "exclusive" future rights in a valid patent (Constitution, Article I, Sec. 8, clause 8) merely because the patentee does not commercially exploit his patent.

Certainly petitioner is not complaining, as respondents would have this Court believe, because the District Court, in balancing equities, decided not to enjoin the continuation of the existing infringement of petitioner's process by respondents' tube-welding mill process users.

In fact, petitioner himself urged the District Court *not* to grant an injunction on existing *infringement* at the time of the appeal in this cause (Resp. Brief, p. 3b).

It is a far cry, however, from declining to grant an injunction on existing infringing activities, to undertaking to order a *compulsory license* for an unlimited number of new future infringements, by any number of future new infringer customers of respondents for the rest of the life of the valid patent, and on terms dictated by the court!

And when it is reflected that respondent AMF has been the sole licensor in this country of this type of tube-welding process in the whole industry, the effect of this compulsory license is to grant to AMF *all the future licensing rights of the Foster patent.* Indeed, from the practical point of view, the courts here have forced petitioner to sell all the rights in his patent to respondents, on terms established by the courts and unacceptable to petitioner, and all because the courts state they want to do equity and give petitioner "half a loaf", where the Constitution tried to assure him of his *full loaf* in a valid and infringed patent.

Thus the cases cited by respondents (Resp. Brief, p. 9-10) dealing with mere denial of injunction are entirely inapposite.* In the *Nerney* case quoted by respondents, indeed, it was only held that

> "the Court may, within its equity power, grant an *accounting only* and deny injunctive relief" (citing the very *American Safety, McCrary* and *Hoe* cases listed by respondents).

An "*accounting only*" is, of course, based upon an *existing* infringement; not a compulsory license for all new infringements by all new future infringers.

This, indeed, used to be the limit on the equitable authority of the Court of Appeals for the Second Circuit and all other courts until the present Foster case.

The compulsory licensing action of the Court of Appeals in this case is in direct conflict with this Supreme Court's pronouncement in the *Paper Bag* case,

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*The very different circumstances of the *Royal-McBee* case are discussed at Pet. p. 9. In *City of Milwaukee,* the community sewage plant would have had to be closed—this again being only an *existing* infringement that was not enjoined.

supra, and all following law in this country, and respondents have utterly failed to show otherwise. See, also, for example, a reiteration by this Supreme Court in *Hartford-Empire Co. v. U.S.*, 323 U.S. 386, 417:

> Congress was asked as early as 1877, and frequently since, to adopt a system of compulsory licensing of patents. It has failed to enact these proposals into law. It has also rejected the proposal that a patentee found quilty of violation of the anti-trust laws should be compelled, as a penalty, to license all his future inventions at reasonable royalties . . . ;

p. 432,

> A patent owner is not in the position of a quasi-trustee for the public or under any obligation to see that the public acquires the free right to use the invention. He has no obligation either to use it or to grant its use to others . . . ;

and p. 433,

> Congress has repeatedly been asked, and has refused, to change the statutory policy by imposing a forfeiture or by a provision for compulsory licensing if the patent is not used within a specified time. The governing rule is quoted in *Chapman v. Wintroath*, 252 U.S. 125, at 137:
>
> > A party seeking a right under the patent statutes may avail himself of all their provisions, and the courts may not deny him the benefit of a single one. These are questions not of natural but of purely statutory right. Congress, instead of fixing seventeen, had the power to fix thirty years as the life of a patent. No court can disregard any statutory provisions in respect to these matters on the ground that in its judgment they are unwise or prejudicial to the interests of the public. *United States v. American Bell Telephone Co.*, 167 U.S. 224, 227.

See also *Special Equipment Co. v. Coe*, 324 U.S., 370 at 378:

> "This Court has consistently held that failure of the patentee to make use of a patented invention does not affect the validity of the patent. *Continental Paper Bag Co. v. Eastern Paper Bag Co.* 210 US 405, 52 L ed 1122, 28 S Ct 748; *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 US 24, 34, 67 L ed 516, 518, 43 S Ct 254; *Woodbridge v. United States*, 263 US 50, 55, 68 L ed 159, 162, 44 S Ct 45; *Fox Film Corp. v. Doyal*, 286 US 123, 127, 76 L ed 1010, 1014, 52 S Ct 546; *Hartford-Empire Co. v. United States*, 323 US 386, 433, ante, 322, 372, 65 S Ct 373."

and at 379:

> "Congress has frequently been asked to change the policy of the statutes as interpreted by this Court by imposing a forfeiture or providing for compulsory licensing if the patent is not used within a specified time, but has not done so."

Since the *Special Equipment* case, supra, Congress changed the language of the patent statute more specifically to read (35 U.S.C. Section 154):

> "*Every patent shall contain* a short title of the invention and *a grant to the patentee*, his heirs or assigns, for the term of seventeen years of *the right to exclude others from making using, or selling the invention* throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof. July 19, 1952, c. 950 §1, 66 Stat. 804." (emphasis added)

The revisor's notes following this section (USCA) makes it very plain that this is to be the right of every patentee:

> "The wording of the granting clause is changed to *'the right to exclude others* from making, using, or selling', following language used by the Supreme Court, to render the meaning clearer." (emphasis added)

Clearly a serious conflict has been raised with prior decisions of this Supreme Court and with what had been considered to be long-established law in this country, warranting the prompt intervention of this Court.[1]

RESPONDENTS HAVE FAILED TO SHOW ANY PRECEDENT FOR AWARDING ROYALTY ON UNPATENTED ITEMS

On page 15 of respondents' brief, it is made very plain that respondents concur with petitioner that the royalty assessed by the courts in this case was *not* based on the "language of patentee's claim" of the patent.

The statute (35 U.S.C. Sec. 284), however, requires at least "a reasonable royalty for the use made of the invention" defined by the patent claims!

Not a single case cited by respondents supports the action of the courts in the present cause in assessing "a reasonable royalty" predicted upon a different base than that of the patent claims which define the metes and bounds of the patented invention.[2]

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[1] Even at this writing, the serious effect of the decision in this case is attracting the attention of the industrial and legal communities (Bureau of National Affairs, Patent Trademark and Copyright Journal No. A-6 (181) 6-6-74).

[2] Respondent's brief at page 5, line 4, again lauds the special master as did the district court's judgement (Pet., page 33, bottom), but neither of them deny or apologize for the obvious fact (see Pet., page 5, footnote) that the special master's choice

The argument that mill pipe producers did not customarily pay royalties cannot abrogate a statutory requirement that "the court *shall award* the claimant . . . in no event less than a reasonable royalty for use made of the invention by the infringer . . ."

What statutory or Constitutional power can possibly exist in the courts to ignore the process invention claims of the patent, and redefine a different "invention" base for the royalty required by the statute?

Not a single case cited by respondents supports the awarding of "a reasonable royalty" on unpatented items, as distinguished from the invention delineated in the patent claims--all in direct contravention of the expressed holdings of this Supreme Court in the *Aro* and other cases cited in the Petition, p. 10-11.

Cincinnati Car Co. v. N.Y. Rapid Transit, 66 F.2d 592, relied on by defendants (Resp. Brief, p. 15), is specious since it related to a patentee of a refrigeration unit for a railroad car who wanted all the profit from running a railroad. Clearly he did not have a patent on the operation of a railroad, and certainly it was not a process patent for such operation. By contrast the Foster patent is that of the *process* of making pipe a certain way and the entire such process of making pipe

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of an improper infringement base is related to his firm's conflicting representation of TOCCO (The Ohio Crankshaft Company) (see Resp. Brief pages 9b and 12b) in litigation over the very invention here at issue and as a result of which AMF licensed TOCCO to make the very same apparatus and use the same process held herein to infringe. This serious conflict was dismissed as "specious and unpersuasive" although undisclosed and unknown to plaintiff until alerted by copious references to TOCCO not a party to this suit in the special master's preliminary report.

is the essence of the patent, hence anyone who uses the Foster process in making pipe is accountable for a reasonable royalty for that making of pipe in the infringing manner.

Similarly defendants' reliance (Resp. Brief, p. 15) on *Egry Register v. Standard Register,* 23 F.2d 438, is specious and not in point since it relates to the patent in a combination apparatus of a special sprocket which merely facilitated the movement of the perforated-edged paper through a register, but was neither critical (Ibid., p. 440, points 1, 2) nor vital to the attainment of the objectives of the machine or sales of same. By contrast, the Foster invention is the PROCESS FOR THE MANUFACTURE OF PIPE OF DESIGNATED CHARACTERISTICS AS TO WHICH SAID PROCESS HAS BEEN FOUND TO BE VITAL IN THE INTERLOCUTORY JUDGMENT (297 F.S. 512, Finding #10, et seq.)

Again, a compelling reason for granting this writ is evident in view of this wide departure from established decisions and from the clear dictates of the statute.

RESPONDENTS HAVE FAILED TO SHOW PRECEDENT FOR DEPRIVING PETITIONER OF HIS RIGHT TO RECOVER FROM THE INDUCER OF THE INFRINGEMENT

Once more respondents have failed to show a single case where a single court, prior to this cause, has deprived the patentee of the rights vested under 35 U.S.C. Sec. 271(b) to recover for the infringing use of the petitioner's patented process from the inducer of the infringement.

Respondents (p. 19) refer to *Aro, supra,* for the proposition that a patentee "who has been fully compensated for direct infringement cannot collect anything additional for contributory infringement".

But petitioner has not been so compensated.

And there is no "direct infringement" of the patented process by respondents–only by their tube-forming mill licensee-customers whom respondents induced to use this process by incorporating respondents' equipment in a modified tube-forming system and using the process involved in the operation of the system. What equipment AMF does sell, and on the basis of which the courts have here set a royalty, is *not* the complete system or process of the adjudicated claims, as respondents concede. What AMF's tube-forming customers and licensees use, however, *is* the very patented invention of the claims.

And, though not awarding a royalty on the "use of the invention" of petitioner's process claims, the District Court none-the-less decreed (Pet. p. 35) that the award shall cover such "use by purchasers and lessees" of respondents.

Thus petitioner receives no royalty based on his valid claims whatsoever.

Respondent concedes that "The Amount of a Reasonable Royalty for the Use of a Patented Invention does not Change with the Identity of The One Who Pays It" (Resp. Brief, p. 16), but urges inducer-defendant should get a substituted low infringement base because induced actual infringer of process is said to have been unwilling to pay on the "use" basis required by statute as minimum reasonable royalty.

The suppositious negotiation through which the reasonable royalty is to be formulated *requires a willing*

licensee and a willing licensor. Here the suppositious licensee of the process which was infringed is presumed to be an unwilling licensee, and it is urged by respondent that there is therefore only limited recourse against the joint tort feasor inducer. Clearly, the infringing production of pipe under defendants' 67 inducing licensees which was stipulated to be $1,735,555,000.00 is the infringement (use) base required by the statute (35 USC 284), supra) and for which the inducer is liable.

To say that the actual infringers of the patented process would not pay any royalty based on their use of the invention and therefore the statutory requirement of a minimum award based thereon is inapplicable to an inducer jointly liable for such damages, is sheer mockery of the statutes.

In a suite directly against anyone of the 67 induced infringing pipe producers, a defense of unwillingness to pay a royalty based on *use*, as required by statute in formulating a reasonable royalty as a minimum award, would necessarily be rejected as frivolous. How then can such a defense by a jointly liable inducer avoid this statutory standard or permit a lower and lesser standard?

If the joint liability of inducers as required by statute (35 USC 271(b), supra) is abrogated by inaction of this court, a multiplicity of suits by an action against each induced infringer (in this case 67 suits) in order for patentee to avoid that "half a loaf" approach to justice which the decision here on petition will be spawned.

While respondent admits in its brief at page 20 that AMF is "an inducer" of its customer-licensees' infringement of the plaintiff's patented process for making pipe, respondent could not show any way the

award was based on the induced "use" of the process patent as required by statute.

Respondents have completely failed to counter petitioner's showing that in this regard, also, the decision in this case reflects another wide departure from the long-established law of this Supreme Court and the other courts of the land as to liability of joint tort feasors, and the interpretation of 35 U.S.C. Sec. 271(b) securing to a patentee the right to hold the inducer for the infringement.

Respondents have also ignored the consequences apparently approved herein by the Court of Appeals for the Second Circuit, that petitioner should be compelled to proceed individually against each of the "77 mill operators as direct infringers" (Pet. p. 5). This clearly thwarts this Supreme Court's effort to reduce litigation and the whole purpose of the Sec. 271(b) of the statute.

As stated in the petition, in striking down the "exclusive" right in a valid patent, and thwarting the statutory and decisional law as to infringement liability, the decision in this case has raised most substantial questions of federal and constitutional law which should be promptly decided by this Court.

The present case is a serious departure from the previously quoted holdings of the Supreme Court in the *Hartford-Empire* and *Chapman v. Wintroath* cases, *supra*:

> A party seeking a right under the patent statutes may avail himself of all their provisions, and the courts may not deny him the benefit of a single

one . . . No court can disregard any statutory provisions in respect to these matters . . .

Granting of the petition is thus respectfully urged.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I served Petitioner's Reply Brief on attorney for Respondents by mailing, first class, postage prepaid, three copies of said brief to William K. Kerr, Fish & Neave, 277 Park Avenue, New York, New York 10017, this day of July, 1974.

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